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DEFENSE. DEPARTMENT OF

June Gibbs Brown, CPA, has been confirmed as Inspector General of the Department of Defense (DOD) by the Senate. Prior to her appointment at DOD, Mrs. Brown served as Associate Administrator of the National Aeronautics and Space Administration (NASA); she also served as the Inspector General for NASA from 1981-1985. In addition, she served as the Department of Interior's Inspector General from 1979-1981. From 1985-1986 Mrs. Brown was Vice President and Chief Financial Officer of the System Development Corporation. She has a B.A. and M.B.A. from Cleveland State University and a J.D. from the University of Denver School of Law. Mrs. Brown has been a member of the AICPA since 1977.

FARM CREDIT ADMINISTRATION

Amendments to regulations implementing provisions of the Farm Credit Act Amendments of 1986 relating to the use of regulatory accounting practices (RAP) by Farm Credit System institutions are the subject of a final rule issued by the FCA (see the 11/16/87 Fed. Reg., pp. 43733-41). The amendments adopted by the FCA are to previous regulations published by the FCA as a final rule with a request for comments (see the 12/24/86 Fed. Reg., p. 46597) relating to the use of RAP and reversal of accrued financial assistance and amended as published (see the 1/26/87 Fed. Reg., p. 2670). The final rule adopted by the FCA 11/16/87 reflects consideration of all public comments made on the regulations, the FCA stated. One change adopted by the FCA at the request of the Financial Accounting Standards Board (FASB) concerns "a reconciliation of financial information [which] may be confusing and potentially misleading to the users of financial statements." As a result, the FCA states, the regulations have been amended to place the discussion of RAP in the management's commentary section of the disclosure, "thereby separating RAP disclosure requirements from the primary financial statement disclosure in the footnotes." This allows the institution to provide appropriate footnote disclosure on a GAAP basis, as recommended by the FASB, the FCA noted. In addition, the regulation has been amended to ensure that the use of the RAP regulations is clearly disclosed, the agency said. The amendments are to become effective upon the expiration of 30 days after their publication, during which either or both Houses of Congress are in session. Notice of the effective date will be published in the Federal Register. For additional information after reviewing the final rule, contact Thomas Dalton at the FCA at 703/883-4460.

FEDERAL DEPOSIT INSURANCE CORPORATION

Agricultural loan loss amortization is the subject of an interim rule issued by the FDIC (see the 11/2/87 Fed. Reg., pp. 41966-69). The proposal, which implements portions of the Competitive Equality Banking Act of 1987 (CEBA), permits agricultural banks to amortize losses on qualified loans over a period not to exceed seven years, beginning in the quarter following the date of loss. Losses sustained in years prior to the effective date of the regulation, 11/9/87, are to be treated as if amortized over seven years beginning in the quarter following date of loss, the rule noted. The interim regulation permits agricultural banks to amortize 1) losses on qualified agricultural loans and 2) losses suffered as a result of an appraisal of other related assets, incurred between 12/31/83 and 1/1/92. Losses resulting from "fraud or criminal abuse" on the part of the bank, its officers, directors, or principal shareholders, will not be eligible for amortization, the rule stated. In accounting for loan amortization, the rule said that a bank should restate its capital and other relevant accounts in accordance with Federal Financial Institutions Examination Council instructions, which will continue to require the reporting of actual loan charge-offs and recoveries through the Allowance for Loan and Lease Losses. The rule will also allow losses eligible for deferral to be reinstated in new items in the asset and equity capital sections of the balance sheet of the Report of Condition. The interim rule is effective 11/9/87 and will terminate on 6/30/88 unless otherwise superseded. Comments must be received by the FDIC prior to 1/8/88. Similar rules were also published in the 11/2/87 Federal Register by the Department of the Treasury (see pp. 41952-62) and the Federal Reserve System (see pp. 42087-91). Comments must be received by the Treasury Department by 1/4/88 and by the Federal Reserve by 12/3/87. All proposed rules are effective 11/9/87.

TREASURY, DEPARTMENT OF

The agenda for the 12/9-10/87 IRS Commissioner's Advisory Group has been announced by the IRS. On the first day, the agenda includes discussion of the role of the tax practitioner in the tax administration system, assessing and improving quality in the audit process and an update on the criminal enforcement program. The main topics for discussion the second day are various collection issues, according to the IRS. The meetings will begin at 8:00 a.m. both days and will be held in Room 3313 of the IRS Building located at 1111 Constitution Avenue, N.W., Washington, D.C. The 18-member Advisory Group is made up of accountants, attorneys, business executives, educators, small business representatives and government officials.

An amendment concerning the deposits of estimated tax payments of certain trusts and estates has recently been proposed by the IRS (see the 11/18/87 Fed. Reg., pp. 44139-41). If promulgated as a Treasury decision, the proposal will require certain banks and financial institutions to deposit the quarterly estimated income tax payments relating to certain taxable estates and trusts for which they act as fiduciaries, through the Federal Tax Deposit (FTD) system instead of delivering the payments to an Internal Revenue Service Center, as currently required. Under the Internal Revenue Code of 1986, all estimated tax payments for the 1987 taxable year with respect to trust and estates are to be delivered to an IRS Center along with a form 1041-ES estimated tax voucher. According to the IRS, administrative difficulties have been experienced in processing a single payment from fiduciaries in payment of estimated tax with respect to a large number of trusts and estates administered by such fiduciaries. The proposal will help resolve these difficulties, the IRS said. The institutions subject to this requirement would be those which have Treasury Tax and Loan (TT&L) accounts for deposited Federal taxes and which administer at least 50 trusts or estates required to make estimated tax payments during the current calendar year. The amendments are proposed to be effective for taxable years beginning after 12/31/87. Comments are requested by 1/4/88 and should be sent to the Commissioner of Internal Revenue, Attention: CC:LR:T (LR-81-87), 1111 Constitution Ave., N.W., Washington, D.C. 20224. If additional information is needed after reading the proposal, contact John A. Tolleris at the IRS at 202/566-3829.

SPECIAL: CHAIRMAN DINGELL DISCUSSES FUTURE PLANS OF SUBCOMMITTEE REGARDING CORPORATE FINANCIAL REPORTING

"I believe Congress has a responsibility to move forward on the good ideas of the Treadway Commission that will require legislation," said Rep. John D. Dingell (D-MI), chairman of the House Oversight and Investigations Subcommittee. He made the statement during an address to the Corporate Accounting and Financial Reporting Institute of the Executive Enterprise Institute 11/19/87 in Washington, D.C. He continued, "I believe the subcommittee also has a responsibility to act on other good ideas from the business community and the accounting profession, as well as the necessary changes we have recognized ourselves during the subcommittee's extensive investigation and public hearings. Accordingly, I have asked the subcommittee staff to identify specific proposals for change that should be included in potential legislation. They will be meeting with various groups and individuals in order to assure possible input when we begin putting a legislative package together early next year."

Rep. Dingell said the subcommittee is "fairly clear" about areas in which change must occur. First, is "better regulation, both by Federal agencies and by private self-regulatory organizations." Second, is a "more balanced system to encourage and protect the many good people who work to implement accounting, auditing, and financial reporting rules." He noted that "most people know what needs to be done in a given situation; the tough part is having the courage to insist that it be done when a personnel evaluation or even a job is at stake." Third, Rep. Dingell said, is a change in the present system so that "auditors will routinely take reasonable steps to discover fraud, and--most importantly--that independent auditors will report fraudulent activity to the appropriate regulatory and enforcement authorities when a company's management does not respond." He said that this change is of "fundamental importance" to the subcommittee. Fourth, are changes relating to internal controls. The chairman said "much needs to be done in the area of implementing broad internal controls for publicly-owned corporations. He also said the independent auditor should review and publicly report on the adequacy of a company's internal controls."

Rep. Dingell concluded his speech by stating, "The subcommittee is using its knowledge of accounting and financial reporting matters to assist private-sector efforts that encourage sound reporting...We have raised questions about the Federal Trade Commission's attempts to require audit firms to accept commissions and contingent fees."

For further information contact Shirley Twillman or Joseph Petito at 202/737-6600.

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